EXHIBIT 17
DATE 2-12-13
HB 344

MONTANA FARMERS UNION

COOPERATION • EDUCATION • LEGISLATION

HB 344 by Representative Hoven—Revising laws relating to Agricultural Commodity dealers, Increasing Bonding Requirements; Providing producer protections in case of Bankruptcy and Amending Sections 80-4-405;80-4-422 and 80-4-604.

The producer groups represented by members of the Agriculture Coalition have worked for the past 2 years (over the interim) to come up with answers to why an increase in the bonding requirements for commodity dealers should be increased. Producers need to be protected from their exposure for unsettled grain sales for a couple of reasons. 1st is due to the volatility in grain markets and specifically due to the increased capacity of facilities. There have been major changes over the past few years as we now have a number of shuttle facilities with the capacity to hold up to 2 million bushels of grain at one time and leaving a potentially huge loss to producers. To put this in proper perspective, one shuttle facility in the year 2011 shipped some 15 million bushels of wheat and with a current price of wheat at about $7.70 per bushel we are looking at over $112 Million dollars. Many of the bushels in a facility may not be paid for and should there be a bankruptcy, a $1 Million dollar bond would do little to protect producers and while $3 Million is still short, it goes a long way in protecting three times as much as the current bond requirement. The agriculture organizations have worked hard over the biennium to increase the bond from 2% to 5% believing that this will increase the scrutiny of the bonding companies to have access to and give them the ability to analyze the grain dealers financial aspect, before they issue the bond. Producers cannot be expected to review these same balance sheets, nor do many have the expertise to analyze them in the same diligent manner required. We do not believe this slight increase is unreasonable and should be something any intelligent businessman would do.

My Montana insurance sources tell me that the very largest facilities (that is the shuttle) may see costs of between $6,000 and $8,000 per year maximum for this bond , while small facilities could see little, if any increase costs of their bond. Those with purchases of $20,000 of grain would look at something in the area of $200.00 to $300.00 per year. The facilities who purchase up to $10,000,000 in commodities make up nearly 80% of the Montana dealers and will see and increase in bonding costs of about $500.00. Almost half of the small dealers will see little if any increase in their bonding rates. The # of dealers with purchases that are between $10,000,000

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and $50,000,000 number only 9 companies and only 8 of those have annual purchases of over $50,000,000. Multinational companies may not even bond in Montana.

You will hear from the opposition that the producers should pay for an indemnity fund, rather than asking the commodity dealers to pay for an increase in the bond. We are strongly in opposition to that position from the producer point of view. The opposition has no problem with the idea that producers pay into the indemnity fund, rather their paying for a higher bond. We are not naïve enough to believe that the cost of the bonding is going to be passed on to growers as we are the producers of this raw commodity. It is critical to remember that this initial responsibility is better placed on the dealer who is responsible for their solvency.

The company in Montana who writes this business is Western Securities and American Federal also write some of the business and CNA out of Washington. The Main Company of CHS out of Minneapolis also writes the business. At this time the options for bonding is to purchase one; Obtained a Certificate of Deposit naming the company and the Department of Agriculture or obtaining a letter of credit from their local bank.

The other major piece of this legislation is that of the "Deadmans Clause" which if not in place would require grain that is contracted would need to be delivered to the commodity dealer even after filing bankruptcy.

Montana Farmer's Union strongly urges the passage of HB 344.